

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	

REPLY COMMENTS OF QWEST CORPORATION

I. INTRODUCTION

Qwest Corporation (“Qwest”),¹ through counsel, and pursuant to the Commission’s Further Notice of Proposed Rulemaking, hereby submits our Reply Comments in the above-referenced proceeding.² This Reply focuses particularly on our support of the comments filed on February 26, 2001 by WorldCom, Inc. (“WorldCom”), the People of the State of California and the California Public Utilities Commission (“California PUC”) and the Ad Hoc Telecommunications Users Committee (“Ad Hoc”) in the above-referenced proceeding. Those commentators persuasively argue that (a) the Synthesis Model (“Model”) should form the basis for calculating universal service support to high cost areas for both rural and non-rural carriers;³

¹ On June 30, 2000, Qwest merged with U S WEST to become a multi-faceted telecommunications provider with a major presence as an incumbent local exchange carrier (“ILEC”), an interexchange carrier (“IXC”) and a competitive local exchange carrier (“CLEC”). As such, the “new” Qwest is forced to balance many of the same competing interests in developing internal policy positions that the Federal Communications Commission (“Commission” or “FCC”) grapples with on a regular basis in developing industry-wide rules.

² See In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Further Notice of Proposed Rulemaking, FCC 01-8, rel. Jan. 12, 2001 (“FNPRM”). The due date for this Reply was triggered by the Federal Register publication of a summary of the FNPRM on Jan. 26, 2001. 66 Fed. Reg. 7867.

³ Qwest, of course, supports these commentators with the *caveat* that certain aspects of the Model require correction before it is suitable for funding calculations for any carriers. Comments of Qwest Corporation on the Rural Task Force Recommendation, filed Nov. 3, 2000 at 4-8. In those comments we argued that it would be arbitrary and capricious to accept the arguments of the Rural Task Force (“RTF”) regarding the inherent deficiencies of the Model, and to exempt

(b) that it is arbitrary to support funding for high cost areas by the status of the carrier, rather than the nature of the geography; and (c) that to the extent the recommendations of the RTF seek to “thwart these fundamental principles,”⁴ they should be rejected.

II. THE RECOMMENDATIONS OF THE RTF SHOULD BE REJECTED AS THEY ARE CONTRARY TO EFFICIENCY AND SOUND HIGH-COST FUNDING PRINCIPLES

Qwest agrees with commentors that, rather than looking to continue an exemption for rural carriers from the reach of the Model required to be used by non-rural carriers in their universal service calculations, the Commission should be focusing on migrating the rural carriers to that Model.⁵ Reliance on embedded costs rewards inefficient past investments and does not serve to encourage efficient investment.⁶ And, as Ad Hoc concludes, “[t]he RTF provided no financial or economic data demonstrating that rural LECs would be unable to fulfill their [Universal Service Fund] USF responsibilities under the funding levels that would result from the use of a [forward-looking economic cost] FLEC model.”⁷

rural carriers from its reach, while still imposing the Model on other carriers. To the extent the Model is flawed, Qwest urges the Commission to fix those flaws instead of providing for preferential treatment of one class of carriers. See also Supporting Comments of QWEST Corporation to the Petition for Reconsideration of Sprint Corporation (“Sprint”), filed herein on Feb. 27, 2001.

⁴ California PUC at 2.

⁵ Ad Hoc at 3-4; California PUC at 6; WorldCom at 1-2.

⁶ Ad Hoc at 4-5. And see California PUC at 3. As the Commission already determined in the Universal Service Order, use of mechanisms incorporating forward-looking economic cost principles would promote competition in rural study areas by providing more accurate investment signals and thus compels carriers to be disciplined in their investment decisions. See In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd. 8776, 8935-36 ¶ 293 (May 8, 1997).

⁷ Ad Hoc at 5-6, 16; see also WorldCom at 2.

Qwest agrees with Ad Hoc that the same “explicit and sufficient” standards must be applied to both classes of carriers, and the Commission must recognize that high cost areas are defined by their characteristics and not by the size of the companies that serve them.⁸ Universal service support should be dependent on the geographic characteristics of a service area. It should not be based on whether a carrier is characterized as “rural” or “non-rural,” a distinction based upon the number of access lines served by a carrier rather than the population it serves or the territory in which it provides that service. To the extent the RTF or this Commission determines that the Model is somehow “flawed” as applied to rural carriers, those flaws exist with respect to non-rural carriers, as well. The Commission should fix those flaws, rather than exempt rural carriers from the Model’s reach.⁹

The Commission should also reject the RTF Recommendation to rebase the High Cost Loop (“HCL”) cap and grow it by a Rural Growth Factor. This action would result in an estimated increase in the rural portion of the HCL funding of approximately \$118.5 million dollars. Yet, as the California PUC notes, the “RTF’s propose . . . is not accompanied by any cost studies or other evidence indicating that the[] modifications are needed.”¹⁰ Nor is there evidence that such an increase would support the objectives of universal service or promote efficient investment.¹¹

⁸ Ad Hoc at 12-15. And see California PUC at 2.

⁹ See Ad Hoc at 9-11; California PUC at 3, 5-6.

¹⁰ California PUC at 8. See also Ad Hoc at 16.

¹¹ Both the California PUC and Sprint express concern that aspects of the RTF Recommendations are focused on investment and support for advanced services. California PUC at 4; Comments of Sprint, filed herein on Feb. 26, 2001, at 3. Based on the language of the RTF Recommendation itself, Qwest shares their concern. Unless and until the Commission determines, through an appropriately noticed rulemaking proceeding (Ad Hoc at 27-28) that advanced services should be supported through USF, use of USF funding for those services is unlawful.

Qwest agrees with Ad Hoc that the Commission must develop an express plan of action with respect to the RTF Recommendation such that the current matter of high-cost funding across the industry be resolved. The Commission should either instruct the RTF to revisit the development of rural specific inputs for inclusion in the Model (as it was originally charged to do)¹² or the Commission should establish an additional phase to the current rulemaking to calculate rural carrier support using the non-rural carrier specific inputs, absent an evidentiary showing from a specific carrier that such should not apply.¹³ During this time, it may be appropriate, as WorldCom asserts, to extend the existing HCL mechanism for an interim period of time to allow the Commission to fully investigate the methodology to be used and the public interest criteria to be met.¹⁴ But, in any event, the RTF Recommendation for a never-ending universal service regime based on embedded costs should be rejected.

III. CONCLUSION

The public interest can only be served by the creation of an explicit, sufficient and sustainable universal service fund applicable to all carriers providing service in high cost areas. The RTF Recommendation falls short of making recommendations that would achieve or even advance this goal. The Commission should stand by its previous decisions to use a forward-

¹² See Ad Hoc at 8-9.

¹³ Id. at 10-11.

¹⁴ WorldCom at 3.

looking methodology (such as the Model) to determine universal service support for rural carriers.¹⁵

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March 12, 2001

¹⁵ Ad Hoc at 29.

CERTIFICATE OF SERVICE

I, Richard Grozier, do hereby certify that I have caused the foregoing **REPLY COMMENTS OF QWEST CORPORATION** to be filed with the FCC via its Electronic Comment Filing System, and (1) a copy of the **REPLY COMMENTS** to be served, via hand delivery on all parties denoted with an asterisk (*), and (2) a copy of the **REPLY COMMENTS** to be served via United States First Class Mail, postage prepaid, upon all other parties listed on the attached service list.

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